

VZCZCXRO3859
RR RUEHDE RUEHDIR
DE RUEHMS #0357/01 1350906
ZNY CCCCC ZZH
R 140906Z MAY 08
FM AMEMBASSY MUSCAT
TO RUEHC/SECSTATE WASHDC 9575
INFO RUEHZM/GULF COOPERATION COUNCIL COLLECTIVE
RUEHC/DEPT OF LABOR WASHDC

C O N F I D E N T I A L SECTION 01 OF 02 MUSCAT 000357

SIPDIS

DEPARTMENT FOR NEA/ARP, NEA/PI, DRL FOR AANZALDUA
USTR FOR JBUNTIN AND AROSENBERG
DOL FOR CPONTICELLI, JSHEA, BSHEPARD AND JRUDE

E.O. 12958: DECL: 05/13/2018

TAGS: PGOV PHUM ELAB ETRD KMPI MU

SUBJECT: MINISTER OF MANPOWER RESPONDS TO ANXIETY ABOUT
LABOR MARKET

REF: MUSCAT 348

Classified By: Ambassador Gary A. Grappo for Reasons 1.4 b/d.

¶1. (SBU) Summary: Through often direct exchanges with Minister of Manpower Juma bin Ali al-Juma at a recent conference, oil and gas company executives expressed sharp concerns about a shortage of skilled labor in Oman's labor market. Juma, while acknowledging immediate problems of labor supply and demand, encouraged companies to work with the Ministry on long-term solutions that develop Oman's workforce to meet their skill requirements. Juma placed particular emphasis on public-private partnerships to improve vocational training and develop effective mechanisms to match job seekers with available positions. Post continues to strongly recommend that the Department support a visit by Juma to Washington to meet with U.S. Secretary of Labor Chou to discuss ways to address these and other issues. End Summary.

- - - - -
Survey Reveals High Anxiety
- - - - -

¶12. (SBU) During a recent conference for oil and gas company executives organized by the Oman Society of Petroleum Services (OPAL), the employers' association for Oman's oil and gas sector, Minister of Manpower Juma was asked to respond to a recent OPAL survey that revealed a high level of anxiety about trends in Oman's labor market. According to the survey results, 90% of participating companies in the oil and gas sector currently are facing a shortage of skilled labor. Almost 80% anticipate that the shortage in supply will worsen over the next three to five years as growth in Oman's economy, as well as in the economies of labor-source markets like India, increases demand for skilled workers. The gap between supply and demand has resulted in lost efficiency and increased costs, the survey respondents said. Two-thirds of respondents said that they regularly lose talented members of their workforce to competitors in what they described as "poaching," and 80% said that the tight labor market is resulting in upward pressure on wages and a "significant increase" in the costs of acquiring and retaining employees.

¶13. (SBU) In his formal address to the conference, Juma acknowledged that Oman is facing a talent crisis, particularly among companies in the oil and gas sector, where high world market prices are helping to spur expansion and growth. He argued, however, that the crisis presents both a challenge and an opportunity to the government and companies operating in Oman because while firms report that they do not have enough skilled labor to meet demand, there are many Omanis looking for work who can be trained. There is a "break down" in mechanisms to match the skills of Omani job

seekers with available positions, Juma stated, and in public-private partnerships to prepare Omanis to compete and succeed in employment.

An Emphasis on Training and Development

¶4. (SBU) Juma laid out a six-point plan to help guide his Ministry's (MOM) efforts to address what he described as a "skills gap" in Oman's labor market. He called on companies to work with the MOM to define long-term industry skill needs so that universities and the Ministry's vocational schools can develop graduates with the right skill sets. To help facilitate job matching, the MOM plans to develop a skill assessment center in Muscat, he said, to help companies select and hire the right people for their needs. Juma challenged companies to stop competing with each other for talent and place a greater emphasis on talent management and development. He further exhorted the private sector to commit to matching young Omanis with suitable positions, and to equipping Omanis with the resources necessary for them to develop into globally competitive workers.

¶5. (SBU) Following his speech, Juma stayed at the conference as a member of a panel with CEOs of locally-based companies, during which he fielded a number of direct questions that reinforced private sector anxiety about the labor market. One company executive asked Juma if the government would shoulder the cost of worker training because the "poaching" of trained employees provides a disincentive for companies to fund workforce development. Juma acknowledged this problem,

MUSCAT 00000357 002 OF 002

but stated that it was not the government's role to train the private sector workforce. Companies must be the pioneers in finding new ways to address the talent shortage, he argued, further commenting that if all companies invested in their workforce in equal amounts then there would be no reason for firms to remedy their labor shortage at the expense of their competitors. In the short term, companies should conclude a "gentleman's agreement" not to poach, Juma suggested.

¶6. (SBU) Another executive pushed Juma further on this point. He said that his company had shown its commitment to Omani labor and workforce development by regularly maintaining a higher than required Omanization rate. He recently lost 35% of his Omani workforce to poaching by competitors, however, after his company made a significant investment in time and resources to train them. His business now is finding it difficult to replace them from the local labor market because there simply are not enough Omanis "fit for service" and ready to assume skilled positions. He further complained that MOM regulations impose an unrealistic burden on his company in filling skilled position vacancies with expatriate workers. For instance, he claimed, the MOM requires an expatriate candidate for a skilled job to have a higher university degree in order to receive clearance to work in Oman. In the drilling industry, the executive complained, most employees need years of on-the-job experience rather than a degree, but the MOM will not recognize this as a substitute. He bluntly stated that his company does not know how it will meet its growth demands.

¶7. (SBU) Juma defended MOM policies governing labor clearances, arguing that the government has an interest in confirming an expatriate worker's skills in order to protect and develop the quality of the nation's workforce. He did admit, however, that the MOM needs to update its worker database, particularly for Omani workers, because it has found that some job seekers listed as "accountants" have proven to be illiterate once they start work. In addressing the executive's first point, Juma returned to his argument that companies need to place greater attention and resources on workforce development. "You need to improve your work environment," he responded tersely, "so that you don't lose

more workers."

- - - -
Comment
- - - -

¶8. (C) The conference highlighted the pressure that Juma and his Ministry are under to design labor policies that promote the long-term goal of developing Oman's workforce while not retarding investment and economic growth now. Juma appears committed to Omanization, yet readily acknowledges that government policies to promote it have contributed to a "skills gap" and talent shortage by restricting expatriate labor flows. While Juma emphasizes the need to develop educational institutions to prepare the Omani workforce of tomorrow, companies are clamoring for a greater supply of skilled labor today. During several meetings with the Ambassador, Juma has reached out for USG assistance and welcomes a visit to the U.S. to learn from our experiences in managing these issues. As previously reported (reftel), Post strongly recommends that the Department of Labor issue an official invitation for Juma to meet with U.S. Secretary of Labor Chou in Washington as part of a larger educational and resource-exchange program. End comment.

GRAPPO